

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 TRSE-00 CIAE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

NSCE-00 SSO-00 USIE-00 INRE-00 IO-14 SSC-01 AID-20

EB-11 CIEP-02 STR-08 OMB-01 CEA-02 DRC-01 /145 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 5296

INFO DIA FOR AA2 AND DI-5

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E.O. 11652: N/A

TAGS: PINT, IT

SUBJECT: FIFTH RUMOR GOVERNMENT FALLS

DEPARTMENT PASS TOSEC IMMEDIATE AND TREASURY IMMEDIATE

REFERENCE: ROME 7997

1. IN SUDDEN DEVELOPMENT LATE AFTERNOON JUNE 10, INTERMINISTERIAL MEETING RECONVENED TO SEEK LAST MINUTE COMPROMISE BETWEEN OPPOSING PSI AND DC-PSDI POSITIONS. MEETING FAILED TO REACH AGREEMENT, AND CABINET MEETING WAS CALLED FOR LATE EVENING WHILE RUMOR AND COLOMBO CONSULTED WITH FANFANI AND CHAMBER AND SENATE DC GROUP LEADERS PICCOLI AND BARTOLOMEI.

2. AT END OF CABINET MEETING MINISTERS GIOIA AND TOGNI ANNOUNCED RUMOR WOULD PROCEED TO QUIRINAL PALACE TO PRESENT RESIGNATION (OF FIFTH RUMOR GOVERNMENT) TO PRESIDENT LEONE.

3. COMMENT: IT IS CLEAR THAT THIS CRISIS, WHICH AS USUAL WAS UNEXPECTED AND VERY MUCH UNWANTED BY ALL THE COALITION PARTNERS, STEMS FROM THE CONTINUING DIFFICULTY IN FINDING A FORMULA FOR
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RELATING CREDIT RESTRAINTS AND FISCAL POLICY IN A WAY WHICH

WOULD EASE SOCIALIST FEARS, AT ONE AND THE SAME TIME, OF
DEFLATIONARY UNEMPLOYMENT AND INFLATIONARY EROSION OF WORKERS'
PAY ENVELOPES. THE OBVIOUS URGENCY OF THE SITUATION, AND THE FACT
THAT ANY LASTING SOLUTION MUST COME FROM THE VERY PARTIES WHO
HAVE FAILED TO AGREE, LED MOST OBSERVERS TO BELIEVE, WRONGLY,
THAT IN THE END A COMPROMISE WOULD BE REACHED.

4. GOVERNMENT CRISIS MARKS FAILURE OF FIRST SERIOUS ATTEMPT TO
REACH AGREEMENT ON STABILIZATION PACKAGE. IT WILL COME AS A DEEP
DISAPPOINTMENT TO ITALY'S EC PARTNERS WHO WE BELIEVE WOULD BE
PREPARED (PARTICULARLY FRG) TO GIVE SPEEDY AND SUBSTANTIAL
ASSISTANCE TO A REASONABLE PROGRAM. ABILITY TO USE FOLD RESERVES
WOULD BE IMPORTANT ELEMENT IN INTERNATIONAL SUPPORT.

5. FOR TREASURY: WE DO NOT KNOW AT THIS TIME WHETHER OR NOT
COLOMBO WILL GO THE WASHINGTON MEETINGS. ALTHOUGH HE WILL
CONTINUE TO BE TREASURY MINISTER EVEN IF IN CARETAKER STATUS, IT IS
OBVIOUS THAT HE WOULD FIND NO COMFORT IN TALKS TO WHICH HE COULD
BRING SO LITTLE IN TERMS OF GUIDELINES TO ITALIAN POLICY. MOREOVER,
AS A FORMER PRIME MINISTER, COLOMBO WOULD BE CONSULTED BY
PRESIDENT LEONE BEFORE A SUCCESSOR TO PRIME MINISTER RUMOR IS
CHOSEN. COLOMBO IN CIRCUMSTANCES WOULD HAVE GOOD REASON TO
REMAIN IN ROME.

6. AS ABOVE WAS BEING WRITTEN, ANSA TICKERS REPORTED RUMOR'S
RESIGNATION RECEIVED BY PRESIDENT LEONE. IN CUSTOMARY FORMULA,
LEONE RESERVED DECISION AND ASKED RUMOR AND CABINET TO REMAIN IN
CARETAKER STATUS FOR HANDLING OF CURRENT AFFAIRS.

7. AMBASSADOR SENSI, DIPLOMATIC ADVISOR TO PRESIDENT, HAS
INFORMED CHARGE THAT LEONE INTENDS TO PROCEED RAPIDLY TO TRY, TO
NAME SUCCESSOR WITHIN THREE DAYS. VOLPE

NOTE BY OC/T: NOT PASSED AS TOSEC.

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